

<p>ADJUSTMENT BUDGET FOR 2010/11</p> <p>AANGEPASTE BEGROTING VIR 2010/11</p>
--

February 2011

PURPOSE OF THE REPORT

To adjust the approved budget for 2010/11 by making provision for additional revenue received and to provide for the relevant expenditure and to adjust approved amounts.

BACKGROUND

1. INTRODUCTION

Section 28 of the Municipal Finance Management Act 2003 (No.56) (MFMA) determines that a Municipality may revise an approved annual budget through an adjustment budget. Subsection (2) also determines that an adjustment budget:

- 1.1. Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
- 1.2. May appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
- 1.3. May, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor;
- 1.4. May authorize the utilization of projected savings in one vote towards spending under another vote;
- 1.5. May authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll- overs when the annual budget for the current year was approved by the Council;
- 1.6. May correct any errors in the annual budget; and
- 1.7. May provide for any other expenditure within a prescribed framework.

Subsection (4) determines that only the mayor may table an adjustment budget in the municipal Council, but an adjustment budget in terms of subsection (2) (b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.

Subsection (5) states that when an adjustment budget is tabled, it must be accompanied by an explanation of how the adjustment budget affects the annual budget and a motivation of any material changes to the annual budget. Subsection (6) states very clearly that property rates and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.

Cognisance must also be taken of Section 15 of the MFMA which refers to the appropriation of funds for expenditure. Subsection (a) determines very clearly that expenditure may only be incurred in terms of an approved budget; and (b) within the limits of the amounts appropriated for the different rates in an approved budget.

The practical implication of these legislative requirements is that the Municipality may under no circumstances incur any expenditure outside the approved budget. As expenditure must be funded by an income source, the same requirement applies to all funds received.

2. CAPITAL BUDGET

Council approved a revised capital budget of R 21,688,000.00. The approved amount was, however, adjusted with R 1,980,000.00 to R 19,708,000.00.

CAPITAL BUDGET 2010/11				
DESCRIPTION	Fund Source	Budget 2010/11	Adjustment	Adjustment /Jan 2011 Budget 2010/11
MIG Toekenning vir Bergsig Paaie	MIG	4,766,720.00		4,766,720.00
MIG Toekenning vir Zoar Paaie	MIG	3,074,640.00		3,074,640.00
MIG Toekenning Vanwyksdorp Paaie	MIG	52,640.00		52,640.00
Voertuig Opsporings Stelsel	Eie Fondse	80,000.00		80,000.00
Geproklameerde Paaie	Dept Vervoer en OW	20,000.00		20,000.00
Befondsing vir Elektriese Infrastruktuur Studies	Departement Energy	363,000.00		363,000.00
Elektrisiteits Besparings toerusting	Departement Energy	6,000,000.00		6,000,000.00
1x Bakkie Elektrisiteits Afdeling	Eie Fondse	200,000.00	(200,000.00)	0
Integrale Behuising	Provinsie Dept. Behuising	4,551,000.00		4,551,000.00
1x Grassnyer Trekker	Eie Fondse	30,000.00	(30,000.00)	0
Ontwikkeling van nuwe Begraafplase	Eie Fondse	300,000.00	(300,000.00)	0
Nuwe Kantoor Gebou	Opneem van Moontlike Lening	2,000,000.00	(2,000,000.00)	0
Telefoon Stelsel	Opneem van Moontlike Lening	250,000.00	(250,000.00)	0
Nuwe kantore (gefinansier uit eie fondse)			800,000.00	R 800,000.00
		R 21,688,000.00	R (1,980,000.00)	R 19,708,000.00

Capital results

Capital expenditure reflects a low spending figure of 13% or R7.123m

Reasons for this low expenditure levels are amongst other the following:

1) Electricity Demand Side management grant

The municipality received R6,000,000 in grant funding from the National government. This funding is for the electricity demand side management projects identified.

2) External loan

The external loan will not materialize within the current financial year, and therefore it is taken off from the current capital budget.

3. OPERATING BUDGET

STATEMENT OF CAPITAL AND OPERATING EXPENDITURE FOR THE 2nd QUARTER ENDED 31 DECEMBER 2010

Part1: Operating Revenue and Expenditure

	2010/11								2009/10		Q2 of 2009/10 to Q2 of 2010/11
	Budget		First Quarter		Second Quarter		Year to Date		Second Quarter		
	Main appropriation	Adjusted Budget	Actual Expenditure	1st Q as % of Main appropriation	Actual Expenditure	2nd Q as % of Main appropriation	Actual Expenditure	Total Expenditure as % of main	Actual Expenditure	Total Expenditure as % of main	
R thousands											
Operating Revenue and Expenditure											
Operating Revenue	64,646	64,646	14,277	22.1%	16,391	25.4%	30,668	47.4%	14,501	42.5%	13.0%
Billed Property rates	8,100	8,100	1,592	19.7%	2,996	37.0%	4,588	56.6%	86	10.7%	3,400.8%
Billed Service charges	37,344	37,344	10,846	29.0%	7,482	20.0%	18,328	49.1%	8,288	50.5%	(9.7%)
Other own revenue	19,201	19,201	1,839	9.6%	5,912	30.8%	7,752	40.4%	6,127	43.0%	(3.5%)
Operating Expenditure	66,239	66,239	17,665	26.7%	16,984	25.6%	34,649	52.3%	17,805	41.9%	(4.6%)
Employee related costs	27,096	27,096	5,893	21.7%	9,030	33.3%	14,923	55.1%	5,960	48.4%	51.5%
Bad and doubtful debt	-	-	-	-	-	-	-	-	-	-	-
Bulk purchases	19,450	19,450	6,132	31.5%	4,132	21.2%	10,264	52.8%	3,789	45.8%	9.0%
Other expenditure	19,693	19,693	5,640	28.6%	3,823	19.4%	9,463	48.1%	8,056	35.8%	(52.5%)
Surplus/(Deficit)	(1,593)	(1,593)	(3,388)		(593)		(3,982)		(3,305)		
Capital transfers and other adjustments	1,691	1,691	-	-	-	-	-	-	-	-	-
Revised Surplus/(Deficit)	98	98	(3,388)		(593)		(3,982)		(3,305)		

Remarks:

Year to date income and expenditure totals R 30,668 m (Income) and R 34,649 m (expenditure)

Income

Other revenues included transfers received from government as reported in the National and Provincial Dora's.

Administration is in the process of implementing various income generating strategies as identified in the LOCAL GOVERNMENT TURNAROUND STRATEGIES and the LOCAL GOVERNMENT FINANCIAL RECOVERY plan as approved by council

In total the operation revenue reflects a 47.4% billing projection for the first six months.

Compared to the previous year's performance for the same period (42.5%) is a positive increase of 4.9%.

Management is currently implementing prepaid water meters and is projection an additional income stream of R 500,000.00

Prepaid electricity sales projections indicate that this income resource should be decreased by R 500,000.00.

Interest on investments projections indicate that this income resource should be decreased by R 500,000.00.

An amount of R 500,000.00 was included in the original budget as sale of land. This will however not materials and needs to be taken off the budget.

Speed camera fine projections indicate that this income resource should be decreased by R 400,000.00 to a more realistic figure to generate.

Property tax was inaccurately budgeted for and needs to be increased by R 700,000.00. The credit control policy of Council needs to be enforced to collect all money that is due to Council.

Expenditure

The contribution to the Capital Replacement Reserve will be decreased with R 2,4 m.

A provision of R 800,000.00 will be included as provision to the capital budget for the building of municipal offices.

Part 2: Capital Revenue and Expenditure

R thousands	2010/11								2009/10		Q2 of 2009/10 to Q2 of 2010/11
	Budget		First Quarter		Second Quarter		Year to Date		Second Quarter		
	Main appropriation	Adjusted Budget	Actual Expenditure	1st Q as % of Main appropriation	Actual Expenditure	2nd Q as % of Main appropriation	Actual Expenditure	Total Expenditure as % of main	Actual Expenditure	Total Expenditure as % of main	
Capital Revenue and Expenditure											
Source of Finance	21,488	21,488	2,362	11.0%	700	3.3%	3,061	14.2%	4,881	31.9%	(85.7%)
External loans	250	250	-	-	-	-	-	-	-	-	-
Internal contributions	2,000	2,000	-	-	-	-	-	-	-	-	-
Transfers and subsidies	18,828	18,828	2,362	12.5%	535	2.8%	2,897	15.4%	4,881	31.3%	(89.0%)
Other	410	410	-	-	165	40.2%	165	40.2%	-	-	(100.0%)
Capital Expenditure	21,488	21,488	2,362	11.0%	700	3.3%	3,061	14.2%	4,881	31.9%	(85.7%)
Water and Sanitation	-	-	-	-	-	-	-	-	-	-	-
Electricity	6,363	6,363	1,376	21.6%	554	8.7%	1,930	30.3%	-	-	(100.0%)
Housing	4,551	4,551	-	-	-	-	-	-	2,886	75.4%	(100.0%)
Roads, pavements, bridges and storm water	7,914	7,914	986	12.5%	(19)	(2.2%)	967	12.2%	1,996	26.8%	(101.0%)
Other	2,660	2,660	-	-	165	6.2%	165	6.2%	-	-	(100.0%)

Remarks:

Capital expenditure reflects a low spending figure of 14.25% or R 3,061m

Total Capital and Operating Expenditure


Total Capital and Operating Expenditure	2010/11								2009/10		Q2 of 2009/10 to Q2 of 2010/11
	Budget		First Quarter		Second Quarter		Year to Date		Second Quarter		
	Main appropriation	Adjusted Budget	Actual Expenditure	1st Q as % of Main appropriation	Actual Expenditure	2nd Q as % of Main appropriation	Actual Expenditure	Total Expenditure as % of main	Actual Expenditure	Total Expenditure as % of main	
R thousands											
Capital and Operating Revenue											
Operating Revenue	64,646	64,646	14,277	22.1%	16,391	25.4%	30,668	47.4%	14,501	42.5%	13.0%
Capital Revenue	21,488	21,488	2,362	11.0%	700	3.3%	3,061	14.2%	4,881	31.9%	(85.7%)
Total Revenue	86,134	86,134	16,639	19.3%	17,090	19.8%	33,729	39.2%	19,382	40.6%	(11.8%)
Capital and Operating Expenditure											
Operating Expenditure	66,239	66,239	17,665	26.7%	16,984	25.6%	34,649	52.3%	17,805	41.9%	(4.6%)
Capital Expenditure	21,488	21,488	2,362	11.0%	700	3.3%	3,061	14.2%	4,881	31.9%	(85.7%)
Total Expenditure	87,727	87,727	20,027	22.8%	17,684	20.2%	37,711	43.0%	22,687	40.1%	(22.1%)

Above table illustrates the total figures regarding opex and capex for the six months ended 31 December 2010.

Income adjustments per department

<u>KANNALAND AANSUIWERINGSBEGROTING 2010/11</u>							
<i>Projeksie aanpassings</i>							
		Begroting	Werklik tot	Beskikbaar			
	Beskrywing	Tot datum	31/12/2010		Netto Effek		Tipe
28 Total	PRE PAID METERS (ELECTRICITY	-3,534,000.00	-1,425,032.90	-2,108,967.10	-500,000.00	Haal af	Inkomste
90 Total	INTEREST ON INVESTMENT	-800,000.00	-104,819.86	-695,180.14	-500,000.00	Haal af	Inkomste
234 Total	SURPLUS WITH SELLING OF ASSETS	-500,000.00	-	-500,000.00	-500,000.00	Haal af	Inkomste
122 Total	FINES SPEED CAMERA	-2,000,000.00	-596,511.86	-1,403,488.14	-400,000.00	Haal af	Inkomste
405 Total	SERVICE FEES ELECTRICITY & WAT	1,242,000.00	584,689.50	657,310.50	-100,000.00	Haal af	Inkomste
	Waterverkope inkomste Verhoging				500,000.00	Voeg by	Inkomste
	Belasting verhoging in heffings uitgestuur				690,000.00	Voeg by	Inkomste
					-810,000.00		

Expenditure adjustments per department

KANNALAND AANSUIWERINGSBEGROTING 2010/11							
<i>Projeksie aanpassings</i>							
							
	Beskrywing	Begroting Tot datum	Werklik tot 31/12/2010	Beskikbaar	Netto Effek		Tipe
292 Total	ACTING ALLOWANCES	-	104,206.82	-104,206.82	-850,000.00	Sit by	Uitgawe
283 Total	WAGES	320,000.00	491,895.80	-171,895.80	-400,000.00	Voeg by	Uitgawe
296 Total	PENSION FUND CONTRIBUTION	2,406,118.00	989,652.48	1,416,465.52	400,000.00	Haal af	Uitgawe
297 Total	MEDICAL FUND	1,513,071.00	544,564.05	968,506.95	350,000.00	Haal af	Uitgawe
343 Total	R&M: DISTRIBUTION NETWORKS	1,480,000.00	103,003.03	1,376,996.97	800,000.00	Haal af	Uitgawe
339 Total	R&M: LAND & BUILDINGS	869,800.00	186,872.25	682,927.75	580,000.00	Haal af	Uitgawe
288 Total	VEHICLE ALLOWANCES	631,770.00	417,082.24	214,687.76	-200,000.00	Sit by	Uitgawe
287 Total	STANDBY ALLOWANCES	269,756.00	302,288.32	-32,532.32	-150,000.00	Sit by	Uitgawe
426 Total	PROGRAMS NCR	250,000.00	19,292.50	230,707.50	150,000.00	Haal af	Uitgawe
298 Total	GROUP INSURANCE	147,898.00	17,484.39	130,413.61	50,000.00	Haal af	Uitgawe
413 Total	BLACK BAGS (REFUSE)	250,000.00	95,962.50	154,037.50	50,000.00	Haal af	Uitgawe
291 Total	RENT ALLOWANCES	-	19,250.00	-19,250.00	-40,000.00	Sit by'	Uitgawe
490 Total	FEES/LEGGIES	30,000.00	-	30,000.00	30,000.00	Haal af	Uitgawe
370 Total	DELIVERY OF ACCOUNTS	15,000.00	-	15,000.00	15,000.00	Haal af	Uitgawe
487 Total	BEROEPS HANDLEIDINGS	1,500.00	5,972.48	-4,472.48	-4,500.00	Voeg by	Uitgawe
428 Total	AUDIT FEES	900,000.00	907,933.01	-7,933.01	-8,000.00	Voeg by	Uitgawe
407 Total	OFFICE EXPENSE, REFRESHMENTS,	10,500.00	13,164.20	-2,664.20	-10,000.00	Voeg by	Uitgawe
408 Total	ENTERTAINMENT	35,000.00	43,880.71	-8,880.71	-10,000.00	Voeg by	Uitgawe
427 Total	TRAINING	83,000.00	74,320.00	8,680.00	-15,000.00	Voeg by	Uitgawe
469 Total	PERONEEL: ONTHAALKOSTE	-	13,800.00	-13,800.00	-20,000.00	Voeg by	Uitgawe
472 Total	STRATEGIC SESSIONS	-	-	-	-20,000.00	Voeg by	Uitgawe
398 Total	PUBLICITY & IDP	10,000.00	-	10,000.00	-20,000.00	Voeg by	Uitgawe
415 Total	DEEDS REGISTRATIONS	9,000.00	15,856.00	-6,856.00	-40,000.00	Voeg by	Uitgawe
439 Total	MEDICAL/SAFETY CERTIFICATES	23,000.00	30,757.27	-7,757.27	-40,000.00	Voeg by	Uitgawe
452 Total	TASK	-	17,029.48	-17,029.48	-	Voeg by	Uitgawe
430 Total	WERWINGSKOSTE: ONDERHOUD (R&V)	-	3,764.00	-3,764.00	-10,000.00	Voeg by	Uitgawe
437 Total	UNIFORMS	42,000.00	63,549.93	-21,549.93	-50,000.00	Voeg by	Uitgawe
438 Total	COUNCIL CONTRIBUTION SKILLS LE	139,955.00	98,953.27	41,001.73	-50,000.00	Voeg by	Uitgawe
450 Total	PAUPER FUNERALS	2,000.00	-	2,000.00	-50,000.00	Voeg by	Uitgawe
456 Total	MANAGEMENT PERFORMANCE	-	-	-	-50,000.00	Voeg by	Uitgawe
344 Total	R&M: VEHICLES	430,000.00	242,628.51	187,371.49	-60,000.00	Voeg by	Uitgawe
421 Total	EQUIPMENT RENT, ETC.	315,000.00	198,109.78	116,890.22	-80,000.00	Voeg by	Uitgawe

406 Total	DELEGATION COST	50,000.00	83,829.26	-33,829.26	-80,000.00	Voeg by	Uitgawe
396 Total	PRINTING & STATIONERY	199,450.00	152,029.24	47,420.76	-100,000.00	Voeg by	Uitgawe
474 Total	STUDY LOANS & BURSARIES	-	5,410.73	-5,410.73	-150,000.00	Voeg by	Uitgawe
338 Total	R&M: TOOLS & EQUIPMENT	126,000.00	127,748.75	-1,748.75	-130,000.00	Voeg by	Uitgawe
445 Total	DONATIONS/UPLIFTMENT FUNDS	-	136,490.05	-136,490.05	-137,000.00	Voeg by	Uitgawe
454 Total	LOCAL ECONOMIC DEVELOPMENT	50,000.00	-	50,000.00	-150,000.00	Voeg by	Uitgawe
397 Total	POSTAGE & STAMPS	208,100.00	174,313.81	33,786.19	-160,000.00	Voeg by	Uitgawe
423 Total	LICENSES	169,000.00	176,007.13	-7,007.13	-180,000.00	Voeg by	Uitgawe
400 Total	TELEPHONE	419,000.00	423,507.69	-4,507.69	-240,000.00	Voeg by	Uitgawe
399 Total	SUBSISTANCE & TRAVEL EXPENSE	511,000.00	593,347.10	-82,347.10	-250,000.00	Voeg by	Uitgawe
285 Total	OVERTIME	1,114,116.00	365,913.09	748,202.91	400,000.00	Haal af	Uitgawe
429 Total	LEGAL FEES	90,000.00	53,215.97	36,784.03	-400,000.00	Voeg by	Uitgawe
284 Total	BONUSES	1,505,204.00	869,959.32	635,244.68	600,000.00	Haal af	Uitgawe
	Contribution to CRR - Builing				-800,000.00	Voeg by	Uitgawe
	Contribution to CRR - Other				2,460,560.00	Haal af	Uitgawe
	Mayor Dis. Fund				-80,000.00	Voeg by	Uitgawe
	Deputy Mayor Dis. Fund				-50,000.00	Voeg by	Uitgawe
					801,060.00		

FINANCIAL IMPLICATIONS

As per report.

RELEVANT LEGISLATION

Municipal Finance Management Act 2003

Chapter 7 of the Constitution Act 108/1996

UITVOERENDE OPSOMMING

Ingevolge Seksie 28 van die Wet op Munisipale Finansiële Bestuur, 2003 (No 56), mag 'n munisipaliteit 'n goedgekeurde jaarlikse begroting deur middel van 'n aansuiweringsbegroting hersien.

In die aansuiweringsbegroting is sommige inkomste en bestedings projeksies afwaarts aangepas of vermeerder. Bykomende inkomste wat beskikbaar geword het bo en behalwe daardie inkomste wat in die jaarlikse begroting voorsien is, bewillig ten einde bestedingsprogramme waarvoor reeds begroot is, te finansier.

RECOMMENDATION

1. That the Revised Capital Budget be adjusted downwards from R 21,688,000.00 with R 1,980,000.00 to R 19,708,000.00.
2. That the revenue in the Revised Operating Budget be adjusted upwards with R 810,000.00 as listed in report.

3. That the expenditure in the Revised Operating Budget be adjusted upwards from with R 801,060.00 as listed in report.
4. That the budget schedules as prescribed by the National Treasury be adjusted with number 1,2 and 3 and tabled at the next Council meeting for condonation.